

DIRECT TESTIMONY

OF

ERIC LOUNSBERRY

ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

CONSUMERS GAS COMPANY

DOCKET NO. 06-0744

October 15, 2009

1 Q. Please state your name and business address.

2 A. My name is Eric Lounsberry, and my business address is 527 East Capitol
3 Avenue, Springfield, Illinois 62701.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Illinois Commerce Commission ("Commission") as a
6 Supervisor of the Gas Section of the Engineering Department of the Energy
7 Division.

8 Q. Please state your educational background and work experience.

9 A. I received a Bachelor of Science degree in Civil Engineering from the University
10 of Illinois and a Master of Business Administration degree from Sangamon State
11 University (now known as University of Illinois at Springfield).

12 Q. What are your primary responsibilities and duties as the Supervisor of the Gas
13 Section of the Energy Division's Engineering Department?

14 A. I assign my employees or myself to cases, provide training, and review work
15 products over the various areas of responsibility covered by the Gas Section. In
16 particular, the responsibilities and duties of Gas Section employees include
17 performing studies and analyses dealing with day-to-day and long term,
18 operations and planning for the gas utilities serving Illinois. For example, Gas
19 Section employees review purchased gas adjustment clause reconciliations, rate
20 base additions, levels of natural gas used for working capital, and utility

21 applications for Certificates of Public Convenience and Necessity. They also
22 perform audits of utility gas meter shops.

23 Q. What is the purpose of this proceeding?

24 A. On November 21, 2006, the Commission initiated its annual reconciliation of the
25 Purchased Gas Adjustment ("PGA") for calendar year 2006, as filed by
26 Consumers Gas Company ("Consumers" or "Company"), pursuant to
27 Section 9-220 of the Illinois Public Utilities Act (the "Act"). The Commission
28 initiated this investigation to determine whether Consumers' PGA clause reflects
29 actual costs of gas and gas transportation for the twelve-month period from
30 January 1, 2006 through December 31, 2006, and whether those purchases
31 were prudent.

32 Q. What is your assignment in this proceeding?

33 A. My assignment is to provide background information related to Staff's
34 understanding about the various agreements that have historically existed and
35 currently exist between Consumers and its affiliate, Egyptian Gas Storage
36 Corporation ("Egyptian").

37 Q. Have you reached any conclusions in your testimony?

38 A. Yes. I have concluded that the original purpose of the Gas Sales Agreement
39 ("GSA") between Consumers and Egyptian was for the purchase of local gas
40 production. Further, I determined that at no time was a hedging transaction
41 discussed or considered with regard to the GSA. My testimony also supports the

conclusions reached in the direct testimony of Staff witness Dennis L. Anderson,
ICC Staff Exhibit 2.0.

I also express concern that Consumers is relying on the GSA to allow Egyptian
the opportunity to conduct short-term reselling of gas back to Consumers.

However, it is not clear why Consumers must rely on this arrangement to obtain
the gas in question.

Finally, I express concern that Egyptian now relies on Consumers for 100% of its
revenue. My concern is that Egyptian, without any other source of revenue, has
an incentive to maximize its profits via transactions made between Consumers
and Egyptian.

Q. Do you have any schedules attached to your testimony?

A. No.

Background

Q. What agreements does Consumers have with Egyptian that relate to
Consumers' supply of natural gas?

A. Currently, Consumers has two contracts with Egyptian, a GSA and a Gas
Storage Contract.

Q. Has the Commission approved these agreements between Consumers and
Egyptian?

61 A. Yes. The current contracts were approved by the Commission in Docket No. 03-
62 0349, in an Order dated 9/22/03. The precursor agreements were approved by
63 the Commission in Docket Nos. 97-0338/97-0339 (Cons.) in an Order dated
64 5/6/98.

65 Q. Were you assigned to either of the cases wherein the Commission approved the
66 agreements between Consumers and Egyptian?

67 A. Yes. I was the Engineering witness assigned to both the 2003 as well as the
68 1997 proceedings.

69 Q. Are you discussing both agreements in this testimony?

70 A. No. My discussions below are limited to Consumers' use of the GSA.

71 Q. What is local gas?

72 A. Local gas refers to any natural gas that is produced by wells in Illinois including
73 gas production from landfills.

74 Q. Does the Commission have any rules or regulations governing the purchase of
75 local gas?

76 A. Yes. The Commission's rules regarding local gas purchases are found in 83
77 Illinois Administrative Code 530 ("Part 530"), Safety and Quality Standards for
78 Gas Transportation for a Private Energy Entity by Gas Utilities. The
79 Commission's authority for Part 530 comes from the Gas Transmission Facilities
80 Act ("GTFA"), 220 ILCS 25 (previously Ill. Rev. Stat. 111 2/3 para. 570).

81 Q. Please summarize what is contained in Part 530.

82 A. Part 530 contains the quality requirements for any local gas purchased by a
83 public utility, and sets forth the delivery requirements and the legal rights of the
84 parties.

85 Q. Does Part 530 require utilities to purchase local gas?

86 A. No. However, Part 530 does require the utility to transport local gas. Since Part
87 530 requires utilities to transport local gas, the utility normally also purchases the
88 gas (at a price slightly below market), if the utility can make use of it and the gas
89 meets the quality specifications. Further, since local gas is priced below market
90 price, the utility can exhibit prudent behavior by acquiring the lowest cost gas
91 supply for its customers when it buys local gas.

92 Q. Does the GTFA contain language relevant to the instant proceeding?

93 A. Yes. Section 1.03 of the GTFA states, in part, that:

94 "Private energy entity" includes every person, corporation, political
95 subdivision and public agency of the State who generates or produces
96 natural gas for energy for his or its own consumption or the consumption
97 of his or its tenants or for direct sale to others, excluding sales for resale,
98 and every person, corporation, political subdivision and public agency of
99 the State who buys natural gas at the wellhead for his or its own
100 consumption or the consumption of his or its tenants and not for sale to
101 others. (emphasis added)

102 Further, Section 3 states, in part, that:

103 Upon application of a private energy entity, and after notice to any
104 affected public utility and opportunity for hearing thereon, the Commission
105 shall authorize such entity to construct an interconnection for the purpose

106 of transporting natural gas for the private energy entity, if the Commission
107 finds:

108 (a) that such interconnection is in the public interest and for the
109 general public benefit;

110 (b) that the interconnection involves natural gas produced within
111 this State in the service area of the public utility, ultimately
112 consumed within this State, and which would otherwise be
113 undeveloped because a public utility is unable or unwilling to
114 purchase it at a price the Commission finds to be
115 reasonable; (emphasis added)

116 Q. What is your non-legal understanding of the phrase “sales for resale” as it is
117 used in the GTFA?

118 A. My understanding of sales for resale as used in the GTFA refers to selling local
119 gas to a broker that then sells it to another entity. Under that situation the broker
120 does not qualify as a “private energy entity” as defined above.

121 Q. In your non-legal opinion, does an entity who purchases gas from a non-local
122 source and resells that gas as local production qualify as a “private energy
123 entity?”

124 A. No.

125 **Gas Sales Agreement**

126 Q. What is your understanding of the purpose of the GSA between Consumers and
127 Egyptian?

128 A. My understanding is that the GSA sets forth the terms under which Consumers
129 may purchase local gas from Egyptian.

130 Q. What is the basis for your statement that the GSA between Consumers and
131 Egyptian involves the purchase of local gas?

132 A. In the original proceeding that approved the GSA between Consumers and
133 Egyptian (Docket Nos. 97-0338/97-0339 (Cons.)), Consumers was asked in Staff
134 data request EGE 1.1 whether the gas purchased pursuant to the GSA would
135 always be priced less expensively than gas purchased pursuant to the
136 Company's other gas supply agreements. The Company's response indicated
137 that: "Local gas would always be 5¢ less than any other gas purchased. This is
138 because Consumers offers to pay less for local gas. However, the price is
139 sufficient to attract gas producers to drill along our system." (sic)

140 Q. In your experience, is a 5¢ reduction in the gas price from the market price a
141 common method for a gas utility to purchase local gas?

142 A. Yes.

143 Q. Is there any evidence in the record in Docket Nos. 97-0338/97-0339 (Cons.) that
144 the Company would use the GSA to purchase any gas other than local gas
145 production?

146 A. No.

147 Q. Has the Company commented on the GSA's purpose?

148 A. Yes. Mr. Robinson in his rebuttal testimony in Docket No. 08-0139 (CAR-2.0, p.
149 4) agreed that the original purpose of the GSA was to allow the purchase of local
150 gas.

151 Q. What changes, if any, did the Company make to the GSA that was approved by
152 the Commission in Docket Nos. 97-0338/97-0339 (Cons.) versus the GSA
153 approved by the Commission in Docket No. 03-0349?

154 A. My review of the two agreements showed very minimal changes exist between
155 the two documents, with two exceptions. First, under Article IV – Price, Section
156 4.1, the 2003 agreement was altered to simplify the language that discussed the
157 price assigned to gas purchased by Consumers from Egyptian, but retained the
158 5¢ below-market language. The second change was to Article VII – Quality,
159 Section 7.1, in that the 2003 agreement added language that specifically
160 referenced the gas quality requirements of Part 530.

161 Q. Is there any evidence in the record in Docket No. 03-0349 that Consumers
162 contemplated purchasing any non-local gas via the GSA?

163 A. No. Further, I would note that Consumers' addition of the reference to Part 530
164 in the GSA agreement, in my mind, suggested the purpose of the GSA was
165 limited to the purchase of local gas.

166 Q. Does the Company agree that the purpose of the 2003 GSA was limited to the
167 purchase of only local gas?

168 A. No. The Company stated that the current GSA does not specifically mention
169 local gas. Further, Mr. Robinson, in his rebuttal testimony in Docket No. 08-0139
170 (CAR-2.0, p. 4), argued that the purpose of the GSA changed between the
171 agreement the Commission approved in the 1997 proceeding and the currently
172 in force 2003 agreement. As discussed in more detail below, Consumers filed
173 Docket No. 08-0139 to request, among other things, renewal of its GSA with
174 Egyptian.

175 Q. Do you agree with Mr. Robinson's statements?

176 A. No. While the GSA approved in the 2003 proceeding does not specifically
177 mention local gas, neither did the 1997 agreement refer to local gas. In fact, the
178 closest either GSA comes to referring to local gas was the 2003 agreement's
179 reference to Part 530. As such, it is not clear why Consumers' interpretation of
180 the purpose of the GSA changed.

181 However, the change in interpretation by Consumers of the GSA allows
182 Consumers' affiliate Egyptian to profit from its gas sales to Consumers. Staff
183 witness Dennis L. Anderson, ICC Staff Exhibit 2.0, provides more detail in his
184 testimony regarding the conflict of interest that exists between Consumers and
185 Egyptian because of this change in interpretation.

186 **Hedging Transaction**

187 Q. How has the Company used the GSA in the instant proceeding?

188 A. It is my understanding that the Company claimed that the GSA provided it with
189 the authority to enter into a hedging transaction with its affiliate Egyptian.

190 Q. What is a hedging transaction?

191 A. Hedging is any transaction that is designed to lower price risk. Price risk is the
192 uncertainty about whether the price changes. In this proceeding, the hedging
193 transaction is that Consumers agreed to purchase a set volume of natural gas in
194 advance of the period during which Egyptian would deliver the gas.

195 Q. Did the Company discuss using the GSA for purposes of a hedging transaction
196 in any proceeding before the Commission?

197 A. No.

198 Q. What conclusions have you reached based upon the above analysis?

199 A. The original purpose of the GSA between Consumers and Egyptian was for the
200 purchase of local gas production, a fact that Consumers does not dispute.
201 Further, I determined at no time was a hedging transaction discussed when
202 Consumers requested Commission approval of the GSA. Therefore, the
203 Company's reliance on the GSA as the basis for the hedging transaction is
204 inappropriate.

205 Q. Are you providing the prudence review for the hedging transaction?

206 A. No. It is my understanding that Staff witness David Rearden, ICC Staff Exhibit
207 3.0, provides Staff's review and conclusions regarding the hedging transaction.

208 **Egyptian's Short-Term Reselling To Consumers**

209 Q. Do you have any other concerns besides the Company's reliance on the GSA as
210 the basis for the hedging transactions with its affiliate Egyptian?

211 A. Yes. My concern is that Consumers and Egyptian are using the GSA to enter
212 into gas sales transactions that do not involve local production, but instead,
213 involve gas purchased by Egyptian on the open market and resold to
214 Consumers.

215 Q. Why are you concerned about Egyptian potentially selling open market gas to
216 Consumers as local production?

217 A. As I indicated above, the GTFA, which provides the authority for Part 530, does
218 not apply to instances where an entity is conducting sales for resale of local gas
219 or similarly for sales for resale of non-local gas. Further, the GTFA clearly
220 indicates that the natural gas should be produced in the State of Illinois and in
221 the service area of the public utility. If Egyptian purchases gas off an interstate
222 pipeline and resells it to Consumers, pursuant to Part 530, then, in my non-legal
223 opinion, those transactions may be violating the Gas Transmission Facilities Act.

224 Q. What concerns do you have if Egyptian is repackaging gas to sell to Consumers
225 as local production?

226 A. If Egyptian is repackaging the gas, then Egyptian is in reality operating as a gas
227 broker for its affiliate Consumers. Then, aside from the lack of any contractual
228 basis for that arrangement, there is a conflict of interest between the two entities,

229 especially since the person making the decisions for both entities is the same
230 person, C. A. Robinson.

231 Stated differently, the same person wears two hats, one hat when he is working
232 for the utility and another hat when he is working for the affiliate. My concern
233 arises from the potential for the decisions of this person to be unduly influenced
234 based upon the information or knowledge he obtains regarding how a decision
235 for the utility will also allow the affiliate to benefit. Further, a question is raised as
236 to whether or not the affiliate's involvement was necessary.

237 Q. What do you mean by short-term reselling of gas?

238 A. Most of Consumers' firm gas purchases are made at first of the month ("FOM")
239 price and there will be occasions when the market price will decrease from that
240 FOM price during the month. If the market price drops sufficiently for Egyptian to
241 make a profit and Consumers is capable of accepting additional gas, Egyptian
242 could purchase gas at the now lower market price and resell it to Consumers for
243 a profit. However, if the market price for gas presents a savings opportunity,
244 then Consumers should purchase gas at the market price and create its own
245 savings. By using Egyptian as a middleman to buy market priced gas,
246 Mr. Robinson increases the cost of gas for Consumers and its ratepayers in
247 order to generate profits for Egyptian and its shareholders.

248 Q. Have Egyptian and Consumers engaged in short-term reselling of gas?

249 A. Yes, although as described in more detail below, Egyptian's gas sale to
250 Consumers in June 2006 was arranged prior to Consumers' normal pipeline
251 supplier's June pricing became known. Nevertheless, in May and June of 2006,
252 Egyptian purchased gas from Utility Gas Management ("UGM"), and then resold
253 a portion of that gas to Consumers.

254 Q. Did Consumers issue a request for proposal for the gas it bought from Egyptian
255 in May and June 2006?

256 A. No. This topic is more fully addressed in Dennis L. Anderson's direct testimony,
257 ICC Staff Exhibit 2.0.

258 Q. What is your understanding of the May and June transactions involving Egyptian,
259 UGM, and Consumers?

260 A. Per Consumers' revised Gas Cost Summary – GS-3a and its responses to Staff
261 data requests DGK 1.03, 2.08, and 5.02, I understand that for the May 2006
262 transaction Egyptian purchased 62,000 dekatherms ("Dth") from UGM at
263 \$7.23/Dth (including transportation costs). Egyptian then sold 31,000 Dth of that
264 gas to Consumers for use as storage injection at a price of \$7.65/Dth.

265 I also understand that for the June 2006 transaction Egyptian purchased 60,000
266 Dth from UGM at \$6.76/Dth. Egyptian then sold 30,000 Dth of that gas to
267 Consumers for use as storage injection at a price of \$6.87/Dth.

268 Q. Has Consumers made any corrections to these prices?

269 A. Yes. Consumers, in its response to Staff data request DGK 5.02, indicated that
270 Egyptian's billing for Consumers' May purchase was in error. Specifically, this
271 response indicated that "It would seem that when billed it was billed as if the gas
272 had been purchased thru the Gas Sales Agreement and not as intended." My
273 understanding is that after Staff questioned the billing for May, Consumers
274 revised the price it paid Egyptian for the May deliveries to match the price that
275 Egyptian paid UGM for the gas that period. However, to the best of my
276 knowledge, Consumers has not made the same adjustment for that gas it
277 purchased in June 2006 from its affiliate.

278 Q. Does Consumers' correction of the price paid cause you any concern?

279 A. Yes. My understanding is that Egyptian originally sold the gas to Consumers as
280 if the transaction were made pursuant to the GSA, but then the gas price was
281 changed and Consumers indicated the transaction was not effectuated pursuant
282 to the GSA. However, Egyptian has no authority to sell gas to Consumers
283 except through the GSA, notwithstanding my objection to how Mr. Robinson is
284 now interpreting the GSA.

285 Q. How do these transactions compare to Consumers' purchases from its pipeline
286 supplier for the same months in 2006?

287 A. Consumers' responses to Staff data requests DGK 7.01 and 7.02 indicates the
288 Company purchased 16,533 Dth from ProLiance at \$8.18/Dth in May and 11,166
289 Dth at \$5.79/Dth in June. Comparing these purchases to Consumers' purchases
290 from Egyptian for the same period shows the May Consumer/Egyptian

transaction was about \$.53/Dth less expensive (original pricing) or about \$.95/Dth less expensive (revised pricing) than gas purchased from Consumers' pipeline supplier, ProLiance. However, the June Consumers/Egyptian transaction resulted in Consumers paying about \$1.08/Dth more for its gas purchased from Egyptian than if it had purchased from its normal pipeline supplier, ProLiance.

Q. Why did Consumers enter into the June transaction with Egyptian since it resulted in higher priced gas for its ratepayers?

A. Consumers, in its response to Staff data request DGK-3.19, indicated that it contracted for the June purchase on May 16, 2006. Company management felt that, due to the volatility of gas price swing at the time it made its decision, this was a sound management decision.

Q. Aside from the concern that the transactions allow Egyptian to share in the savings, while increasing the cost of gas for Consumers and its ratepayers, do you have any other concerns regarding this transaction?

A. Yes. Consumers' response to Staff data request DGK-4.02 indicated that Egyptian used Consumers' pipeline transportation to deliver the gas it purchased from UGM in May and June 2006 into the Mills storage field. Consumers did bill Egyptian for a portion of the transportation costs associated with the transaction but, according to Consumers' response to Staff data request DGK-4.03 (e), Consumers did not allocate any reservation charges to Egyptian.

312 Q. Are you recommending any adjustments associated with these transactions?

313 A. No. It is my understanding that Staff witness Daniel G. Kahle, ICC Staff Exhibit
314 1.0, addresses this issue in his direct testimony.

315 Q. Why does Consumers need to rely on Egyptian to makes these types of gas
316 purchases?

317 A. Consumers' response to Staff Generic Data Request GS-9 indicates it could not
318 have purchased directly from another supplier because it had an exclusive
319 contract with ProLiance for all of the Company's gas purchases. Further,
320 Consumers' response to Staff data request DGK-3.13, which asked how
321 Egyptian had the right to purchase this gas for Consumers, indicated the
322 ProLiance contract was for deliveries to Consumers' pipeline take points
323 (interconnections with Texas Eastern Transmission Corporation) at Albion,
324 Carmi, and Omaha, not the meter #75661 that is used to make deliveries into the
325 Mills storage field. Thus, the exclusive contract with ProLiance applied to the
326 Albion, Carmi, and Omaha take points, but did not apply for deliveries to meter
327 #75661, for the Mills storage field.

328 However, what is still unclear is why Consumers itself could not deliver gas to
329 meter number #75661, since that was not part of its ProLiance contract. Further,
330 it is unclear how Egyptian's purchase for Consumers does not violate
331 Consumers' interpretation of it having an exclusive contract with ProLiance for all
332 of its gas purchases. Therefore, I request Consumers address both of these
333 issues in its rebuttal testimony.

334 Q. Do you have any other issues that you recommend Consumers address in its
335 rebuttal testimony?

336 A. Yes. I understand that Consumers, as of July 1, 2006, had two gas suppliers
337 (ProLiance and UGM) for its gas supply needs. Consumers should address why,
338 after July 1, 2006, it would still require Egyptian's services to deliver gas to meter
339 #75661 and why Consumers could not make those deliveries itself going
340 forward. If Consumers could not make those deliveries going forward, then
341 Consumers needs to explain why it did not provide itself this flexibility, given its
342 past reliance on Egyptian for this type of service.

343 Q. What has the Commission previously determined regarding whether the GSA
344 between Consumers and Egyptian was intended to allow sale for resale
345 transactions?

346 A. In its Final Order dated February 3, 2009, in Docket 05-0741 (Consumers' 2005
347 PGA), page 6, IV Findings and Ordering Paragraphs, (7), the Commission stated
348 "Consumers Gas Company shall cease any sale for resale transactions involving
349 the Gas Sales Agreement with Egyptian Gas Storage Corporation until further
350 order of the Commission."

351 Q. What is the status of Consumers' attempts to renew the GSA?

352 A. On February 26, 2008, Consumers filed a petition pursuant to Section 7-101 of
353 the Act, requesting Commission authority to enter into a Gas Storage Contract
354 and a GSA with its affiliate Egyptian. This case is Docket No. 08-0139. On

February 6, 2009, a Proposed Order was issued in this case that noted the Gas Storage Contract is acceptable to both Staff and the Company. However, this Order noted that Staff continues to object to Consumers' request to enter into the GSA with Egyptian. Staff's rebuttal testimony on reopening is scheduled for filing on October 27, 2009 in that proceeding.

Reliance on Consumers for Egyptian Income

Q. What is your last general area of concern regarding the relationship between Consumers and Egyptian?

A. Over the past several years, the percentage of Egyptian's total sales to Consumers has steadily risen. Further, as Consumers' percentage of sales has increased, the total level of sales has also increased significantly from prior years. Table 1 shows a summary of Egyptian's sales, Consumers' payments to Egyptian, and the percentage of Egyptian's sales to Consumers.

Table 1 Summary of Egyptian's 2004, 2005, and 2006 Sales

	2004	2005	2006
Total Sales	\$438,550	\$1,969,441	\$1,034,694
Consumers' Payments	\$231,500	\$1,954,726	\$1,034,693
Percentage of Sales to Consumers	53	99	100

Q. What does Table 1 demonstrate?

A. Table 1 shows a significant increase in Egyptian's sales when Consumers is the only entity providing payments to Egyptian versus prior years when more than one entity used the Egyptian gas storage field.

373 Q. What concern does Table 1 raise?

374 A. The concern is that since Consumers' gas costs are a direct pass through to
375 ratepayers unless the Commission disallows imprudent gas costs,¹ there will be
376 an incentive to maximize Egyptian's profits via transactions between Consumers
377 and Egyptian. Further, my understanding is that for 2007 and potentially 2008
378 and 2009, Consumers remained the only entity doing business with Egyptian.

379 Q. For what services does Consumers pay Egyptian?

380 A. Consumers pays Egyptian to lease a portion of the Mills storage field, for
381 transporting gas to farm tap customers along Egyptian's pipeline, as well as for
382 any gas purchases from Egyptian. In my direct testimony in Docket No.
383 08-0139, ICC Staff Exhibit 1.0, Schedule 1.01, I noted that the cost for leasing
384 the storage field was about \$155,000 per year. I also understand that the
385 transportation revenues for farm tap customers are not significant. Therefore,
386 the majority of the Egyptian's revenues from Consumers results from gas sales
387 via the GSA.

388 Q. How does Egyptian operate the Mills storage field?

389 A. The Company's response to Staff data request DGK-6.02 indicated that Egyptian
390 has no employees. The response to Staff data request DGK-6.04 noted that
391 Robinson Engineering operates the storage field. Further, it is my understanding

¹ In Docket No. 05-0741, the Commission found \$53,455 of imprudent gas costs as a result of actions taken between Consumers and Egyptian in Consumers' 2005 PGA reconciliation. At the time of the filing of this testimony, Staff has not provided an opinion on Consumers' 2006 PGA reconciliation.

that Robinson Engineering is also owned, or at least partially owned, by
Mr. Robinson.

Q. What concerns does Egyptian's reliance on Consumers for sales cause you?

A. As I have noted before, my concern is the conflict of interest between the two
entities, especially since the person making the decisions for both entities is the
same person, C. A. Robinson.

Stated differently, the same person is basically wearing two hats, one hat when
he is working for the regulated utility and another hat when he is working for the
unregulated affiliate. In Docket No. 05-0741, Mr. Robinson indicated his role as
President of Consumers is to provide least-cost gas service. (Tr., pp. 47-48,
Docket No. 05-0741) Mr. Robinson also indicated in the same proceeding that
as President of Egyptian his role is to maximize profits for that entity. (Tr., p. 49)
However, those roles are not always mutually beneficial for Consumers and
Egyptian. There will be occasions when Mr. Robinson's two roles will conflict
with each other and Mr. Robinson will need to decide which affiliate (Consumers
or Egyptian) he allows to benefit while the other affiliate pays the bills.
Mr. Robinson has an incentive to channel transactions to the unregulated
affiliate, Egyptian to unduly benefit it and its owners by using Egyptian's
information or knowledge that he obtains while acting in his position of
responsibility for Consumers.

Further, as I have noted above, the Commission's Order in Docket No. 05-0741
directed Consumers to cease any sale for resale transactions involving the Gas

414 Sales Agreement with Egyptian Gas Storage Corporation until further order of
415 the Commission.

416 Q. Does this conclude your prepared direct testimony?

417 A. Yes.